

THIRTY-NINTH

ANNUAL REPORT OF THE BOARD OF DIRECTORS

OF THE

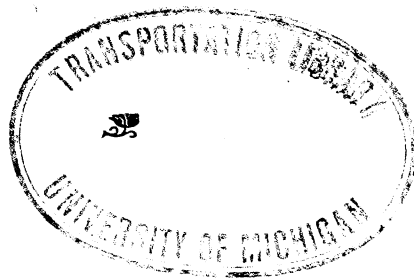
LAKE SHORE AND MICHIGAN SOUTHERN

RAILWAY COMPANY

TO THE STOCKHOLDERS

FOR THE YEAR ENDED

DECEMBER 31 1908



CLEVELAND
OHIO



**THE
Lake Shore & Michigan Southern
RAILWAY.**

Lines in operation
Lines under construction

0 10 20 30 40 50 60 70 80 90 100
Scale of Miles.

THIRTY-NINTH

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OF THE

LAKE SHORE AND MICHIGAN SOUTHERN

RAILWAY COMPANY

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CLEVELAND
OHIO

ORGANIZATION OF THE LAKE SHORE AND MICHIGAN SOUTHERN RAILWAY COMPANY

DECEMBER 31 1908

DIRECTORS

WILLIAM K. VANDERBILT	} Terms Expire May 1909	FREDERICK W. VANDERBILT	} Terms Expire May 1910
HAMILTON McK. TWOMBLY		WILLIAM K. VANDERBILT, JR.	
SAMUEL F. BARGER		CHAUNCEY M. DEPEW	
WILLIAM ROCKEFELLER		WILLIAM H. NEWMAN	
		WILLIAM C. BROWN	
J. PIERPONT MORGAN	} Terms Expire May 1911		
DARIUS O. MILLS			
GEORGE F. BAKER			
W. SEWARD WEBB			

EXECUTIVE COMMITTEE

CHAUNCEY M. DEPEW, *Chairman of the Board of Directors**

WILLIAM H. NEWMAN, *President**

WILLIAM K. VANDERBILT	HAMILTON McK. TWOMBLY
FREDERICK W. VANDERBILT	SAMUEL F. BARGER
WILLIAM ROCKEFELLER	J. PIERPONT MORGAN

WILLIAM C. BROWN

*Members ex-officio

OFFICERS

President	WILLIAM H. NEWMAN	New York
Senior Vice President	WILLIAM C. BROWN	New York
Vice President	EDWARD V. W. ROSSITER	New York
Vice President	JOHN CARSTENSEN	New York
Vice President	CHARLES E. SCHAFF	Chicago
Vice President	ALBERT H. HARRIS	New York
Vice President	CHARLES F. DALY	New York
Secretary	DWIGHT W. PARDEE	New York
Treasurer	CHARLES F. COX	New York
General Manager	DEWITT C. MOON	Cleveland
General Counsel	GEORGE C. GREENE	Cleveland
General Attorney	FRANK J. JEROME	Cleveland
Auditor	RICHARD M. HUDDLESTON	Cleveland
Local Treas. and Assistant Secretary	RUDOLPH P. AHRENS	Cleveland
General Superintendent	JOHN J. BERNET	Cleveland
General Freight Traffic Manager	BARRETT B. MITCHELL	Chicago
Freight Traffic Manager	GEORGE H. INGALLS	Chicago
Passenger Traffic Manager	WARREN J. LYNCH	Chicago
General Passenger Agent	JOHN W. DALY	Cleveland
Chief Engineer	SAMUEL ROCKWELL	Cleveland
General Superintendent Motive Power, Rolling Stock & Machinery	} JOHN F. DEEMS	New York
Superintendent Motive Power		Cleveland
General Purchasing Agent		New York
Purchasing Agent		Cleveland
	LEGRAND PARISH	
	FRANCIS H. GREENE	
	GEORGE R. INGERSOLL	

The annual meeting of stockholders for the election of directors is held in the city of Cleveland, Ohio, on the first Wednesday in May.

REPORT

To the Stockholders of

THE LAKE SHORE & MICHIGAN SOUTHERN RAILWAY COMPANY:

The Board of Directors herewith submits its report for the year ended December 31st, 1908, with statements showing the results for the year and the financial condition of the company.

The mileage embraced in the operation of the road is as follows:

	Miles
Main line	870.89
Proprietary lines	220.84
Leased lines	416.04
Trackage rights	3.33
Total	<u>1,511.10</u>

There is a decrease of 9.25 miles in the mileage of road operated during the year, due to changes in location of various terminals and elimination of curves.

A statement showing in detail the miles of road and track operated will be found upon another page.

There was no change in capital stock during the year, the amount authorized and outstanding December 31st, 1908, being \$ 50,000,000.00

There has been no change in the funded debt of the company, the amount outstanding December 31st, 1908, being \$135,400,000.00

There were sold during the year 114,000 shares of stock of the Lehigh Valley Railroad Company, and \$7,000,000.00 of bonds of the Chicago, Indiana & Southern Railroad Company.

There were purchased during the year 4,800 shares of stock of the Toledo Terminal Railroad Company, and one share of stock of the Mahoning State Line Railroad Company.

Full particulars regarding the equipment acquired and rental paid under the terms of the "New York Central Lines Equipment Trust Agreement and Lease of 1907" will be found on another page.

Annual Report

SUMMARY OF FINANCIAL OPERATIONS AFFECTING INCOME

EARNINGS FROM OPERATION	1908 1511.10 miles operated	1907 1520.35 miles operated	Increase	Decrease 9.25 miles operated
From freight	\$25,935,473.24	\$31,111,482.12		\$ 5,176,008.88
From passengers	9,583,226.94	9,769,872.95		186,646.01
From express	1,460,403.74	1,168,090.82	\$ 292,312.92	
From mails	2,188,215.09	2,224,769.59		36,554.50
From rents	729,647.45	604,726.17	124,921.28	
From miscellaneous	67,891.98	74,533.37		6,641.39
Totals	\$39,964,858.44	\$44,953,475.02		\$ 4,988,616.58
EXPENSES OF OPERATION	(66.84%)	(65.72%)	(1.12%)	
Maintenance of way and structures	\$ 4,909,069.09	\$ 6,328,637.72		\$ 1,419,568.63
Maintenance of equipment	5,422,114.41	6,044,154.56		622,040.15
Conducting transportation	15,554,042.88	16,350,910.59		796,867.71
General expenses	826,785.19	820,644.40	\$ 6,140.79	
Totals	\$26,712,011.57	\$29,544,347.27		\$ 2,832,335.70
New construction (addition betterments)	1,292,276.31	4,082,988.44		2,790,712.13
New equipment (additions)		911,125.60		911,125.60
TOTAL EXPENSES	\$28,004,287.88	\$34,538,461.31		\$ 6,534,173.43
NET EARNINGS	\$11,960,570.56	\$10,415,013.71	\$ 1,545,556.85	
OTHER INCOME				
Interest and dividends on stocks and bonds owned	3,367,797.32	4,530,005.00		1,162,207.68
Interest on loans and deposits	1,324,869.16	1,186,414.66	138,454.50	
Totals	\$ 4,692,666.48	\$ 5,716,419.66		\$ 1,023,753.18
GROSS INCOME	\$16,653,237.04	\$16,131,433.37	\$ 521,803.67	
FIRST CHARGES				
Interest on funded debt	\$ 5,170,000.00	\$ 5,170,000.00		
Interest on gold notes	750,000.00	616,118.08	\$ 133,881.92	
Interest on equipment trust certificates	289,225.42		289,225.42	
Rentals of leased lines	1,100,381.87	1,420,243.93		\$ 319,862.06
Interest on loans	179,415.86	163,790.82	15,625.04	
Dividends on guaranteed stock	64,020.00	74,690.00		10,670.00
Taxes	1,424,200.77	1,300,874.66	123,326.11	
Totals	\$ 8,977,243.92	\$ 8,745,717.49	\$ 231,526.43	
NET INCOME	\$ 7,675,993.12	\$ 7,385,715.88	\$ 290,277.24	
Dividends, (12 % 1908, 14 % 1907)	5,935,980.00	6,925,310.00		\$ 989,330.00
SURPLUS	\$ 1,740,013.12	\$ 460,405.88	\$ 1,279,607.24	
To the surplus for the year:—				\$ 1,740,013.12
there should be added:				
Profit from sale of Lehigh Valley Railroad Company stock			\$ 3,472,594.77	
Adjustment of sundry accounts			35,730.83	3,508,325.60
				\$ 5,248,338.72
there should be deducted:				
Discount, commissions and expenses on account of New York Central Lines				
Equipment Trust Certificates of 1907			\$ 442,581.79	
Discount on sale of bonds of Chicago, Indiana & Southern Railroad Company			650,612.24	
Settlement with New York Central & Hudson River Railroad Company for facilities at Buffalo prior to 1908			444,535.53	1,537,729.56
				\$ 3,710,609.16
Amount to the credit of profit and loss, December 31, 1907				17,805,259.03
		Balance December 31, 1908		\$21,515,868.19

The Lake Shore and Michigan Southern Railway Company

The gross earnings for the year were \$39,964,858.44, a decrease of \$4,988,616.58 as compared with last year.

The freight earnings were \$25,935,473.24, a decrease of \$5,176,008.88, due to the falling off in tonnage handled during the depression in business conditions prevailing throughout the year.

Passenger earnings were \$9,583,226.94, a decrease of \$186,646.01. While there was an increase in the number of passengers carried, the reduction of passenger rates in various states caused a decrease in earnings.

The earnings from express traffic were \$1,460,403.74, an increase of \$292,312.92.

The earnings from transportation of mails were \$2,188,215.09, a decrease of \$36,554.50.

The earnings from rentals and miscellaneous sources were \$797,539.43, an increase of \$118,279.89.

The operating expenses for the year amounted to \$26,712,011.57, a decrease of \$2,832,335.70.

Maintenance of way and structures decreased \$1,419,568.63. The heavy improvement work in 1907, consisting of four-tracking the main line, rebuilding bridges, construction of new stations, etc., made necessary, during that year, heavy charges to maintenance to provide for changes to existing roadway and structures. In 1908 there was a curtailment of such permanent improvements, resulting in correspondingly decreased maintenance charges.

Maintenance of equipment decreased \$622,040.15, due to the large amount of equipment out of service during the year, and therefore, not requiring repairs.

Conducting transportation decreased \$796,867.71, due to the falling off in traffic and a resulting reduction in the cost of train service.

General expenses increased \$6,140.79.

The income from investments for the year was \$4,692,666.48, a decrease of \$1,023,753.18, due to reduction in dividends on stocks owned.

The first charges increased \$231,526.43, due to interest on equipment trust certificates and increase in taxes.

Annual Report

There was expended during the year for additions and improvements to the property and charged to income, the following amounts:

YARDS AND SIDINGS:

Blasdell, connection with Gardenville Yard	\$ 46,882.42	
Pine, interchange yard	36,759.35	
Gary, land for new yard	11,197.95	
Miscellaneous passing and industrial sidings	39,283.34	\$ 134,123.06

SHOPS AND ENGINE HOUSES:

Ashtabula, improvements at engine house	\$ 7,599.60	
Collinwood, various improvements at shops	19,462.99	
Toledo, improvements at engine house	14,778.12	
Adrian, new engine house	5,815.88	
Englewood, new turntable	17,662.04	65,318.63

STATIONS AND OTHER STRUCTURES:

Toledo, new freight station	\$ 8,021.75	
Gary, new freight station	17,580.06	
Gary, new passenger station	17,129.34	
West Seneca, purchase of ice house	17,942.07	
Ashtabula Harbor, dock improvements	249,674.27	
Improvements to various water stations	15,970.04	
Street gates, street paving and other improvements	53,696.63	380,014.16

ROADWAY AND BRIDGES:

Lakeview to Conneaut, third and fourth main tracks	\$ 49,619.50	
Elkhart to Goshen, third main track	33,437.03	
Erie to Englewood, new block signal system	162,106.72	
Grand Crossing to Englewood, elevation of tracks	174,272.83	
Detroit, elimination of various grade crossings	63,420.91	
Painesville, two track arch over Grand River	11,912.29	
Vickers, undercrossing with T. F. & T. Ry.	8,218.51	
Rolling Prairie, undercrossing with C. S. B. & N. I. Ry.	21,302.05	
Indiana Harbor, lift bridge over ship canal	59,107.19	
Strengthening and renewing various bridges	46,568.07	
Miscellaneous improvements	11,300.93	641,266.03

LAND AT VARIOUS PLACES:

	71,554.43	
Total	\$1,292,276.31	

W. H. NEWMAN,
President.

*The Lake Shore and Michigan Southern Railway Company***CAPITALIZATION***Capital stock*

Number of shares issued—Common	494,665	Total par value issued and out- standing	\$50,000,000.00
Number of shares issued—Guaranteed ten per cent.	5,335	Total par value authorized	\$50,000,000.00
Total number of shares outstanding	500,000	Par value per share	\$100.00
Number of shares authorized	500,000		

Funded debt

<u>Class of bond</u>	<u>Date of issue</u>	<u>Date of maturity</u>	<u>Amount of authorized issue</u>	<u>Amount issued and now outstanding</u>	<u>Rate of interest</u>	<u>Payable on the first days of</u>
Gold mortgage	1897	June 1, 1997	\$50,000,000.00	\$50,000,000.00	3½ %	{ December and June
Gold bonds	1903	Sept. 1, 1928	50,000,000.00	50,000,000.00	4 %	{ March and September
Gold bonds	1906	May 1, 1931	50,000,000.00	35,000,000.00	4 %	{ November and May

Bonds of other roads assumed by this company

Kalamazoo & White Pigeon	1890	Jan. 1, 1940	400,000.00	400,000.00	5 %	{ January and July
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*Treasurer, Room 219 Grand Central Station,
New York*

Union Trust Company, New York

{ Transfers stock
Pays dividends
Transfers registered bonds
Pays interest on coupon and registered bonds
Registers stock

*Annual Report**NEW YORK CENTRAL LINES EQUIPMENT TRUST OF 1907*

The following statement shows the character of the equipment acquired under the terms of the New York Central Lines Equipment Trust Agreement and Lease of 1907, together with the total amount of certificates issued by the Guaranty Trust Company, and the amount now outstanding:—

Road	Loco- motives	Passenger cars	Freight cars	Co. service cars	Certificates issued by Guaranty Trust Co. for 90 per cent. of value	Rental paid and applied to redemption of certificates	Balance certificates issued by Guaranty Trust Co. outstanding December 31, 1908
N Y C & H R R R	447	88	4,000	—	\$11,904,901.78	\$ 793,660.12	\$11,111,241.66
L S & M S Ry	125	25	4,000	200	6,708,392.73	447,226.18	6,261,166.55
C I & S R R	2	8	3,400	150	3,779,976.60	251,998.44	3,527,978.16
M C R R	5	15	3,500	200	3,906,381.73	260,425.45	3,645,956.28
C C C & St L Ry	112	17	1,525	100	3,700,347.16	246,689.81	3,453,657.35
Totals	<u>691</u>	<u>153</u>	<u>16,425</u>	<u>650</u>	<u>\$30,000,000.00</u>	<u>\$2,000,000.00</u>	<u>\$28,000,000.00</u>

In addition to the annual rental payment of one-fifteenth of the par value of the certificates originally issued, the further sum of \$1,500,000, representing interest at the rate of 5% per annum on \$30,000,000 of certificates, was paid in 1908 by the companies, parties to the agreement, as follows:

New York Central and Hudson River Railroad Company	\$ 595,245.08
Lake Shore & Michigan Southern Railway Company	335,419.64
Chicago, Indiana & Southern Railroad Company	188,998.84
Michigan Central Railroad Company	195,319.08
Cleveland, Cincinnati, Chicago & St. Louis Railway Company	185,017.36
Total	<u>\$1,500,000.00</u>

The Lake Shore and Michigan Southern Railway Company

DETAIL OF EXPENSES

MAINTENANCE OF WAY AND STRUCTURES

	1908	1907	Increase	Decrease
Repairs roadway	\$ 2,528,022.78	\$ 3,540,900.05		\$ 1,012,877.27
Renewals of rails	412,511.54	423,772.48		11,260.94
Renewals of ties	1,024,413.78	1,162,452.14		138,038.36
Repairs and renewals bridges and culverts	196,425.15	318,726.14		122,300.99
Repairs and renewals fences, road crossings, etc.	131,495.72	167,792.02		36,296.30
Repairs and renewals buildings and fixtures	506,448.59	605,988.23		99,539.64
Repairs and renewals docks, wharves and machinery	48,052.23	47,776.44	\$ 275.79	
Repairs and renewals telegraph	37,723.10	37,327.70	395.40	
Stationery and printing	23,530.47	23,268.27	262.20	
Other expenses	445.73	634.25		188.52
Totals	\$ 4,909,069.09	\$ 6,328,637.72		\$ 1,419,568.63

MAINTENANCE OF EQUIPMENT

	1908	1907	Increase	Decrease
Superintendence	\$ 134,818.34	\$ 151,036.13		\$ 16,217.79
Repairs locomotives	1,353,870.62	1,512,545.27		158,674.65
Renewals locomotives	224,512.32	131,631.30	\$ 92,881.02	
Repairs passenger cars	435,312.18	486,788.00		51,475.82
Renewals passenger cars	36,500.00	72,877.23		36,377.23
Repairs freight cars	2,144,262.31	2,406,756.58		262,494.27
Renewals freight cars	602,580.48	638,553.24		35,972.76
Repairs work cars	63,428.29	99,805.49		36,377.20
Renewals work cars	14,400.00	24,502.69		10,102.69
Repairs and renewals marine equipment	5,598.07	12,910.98		7,312.91
Repairs and renewals shop machinery and tools	108,196.63	181,517.23		73,320.60
Stationery and printing	29,060.40	25,556.21	3,504.19	
Other expenses	269,574.77	299,674.21		30,099.44
Totals	\$ 5,422,114.41	\$ 6,044,154.56		\$ 622,040.15

CONDUCTING TRANSPORTATION

	1908	1907	Increase	Decrease
Superintendence	\$ 501,305.09	\$ 465,584.58	\$ 35,720.51	
Enginemen	1,969,322.79	2,311,348.38		\$ 342,025.59
Roundhousemen	441,533.97	485,538.82		44,004.85
Fuel for locomotives	2,950,914.44	3,494,575.31		543,660.87
Water supply for locomotives	217,970.41	215,576.80	2,393.61	
Oil, tallow and waste for locomotives	111,825.18	133,735.38		21,910.20
Other supplies for locomotives	40,441.51	51,850.26		11,408.75
Train service	1,363,271.72	1,572,561.61		209,289.89
Oil, tallow and waste for cars	85,890.54	83,088.74	2,801.80	
Train supplies and expenses	309,559.94	359,896.71		50,336.77
Dining car expenses	25,511.88	29,393.33		3,881.45
Switchmen, flagmen and watchmen	1,504,878.19	1,754,154.01		249,275.82
Telegraph expenses	446,230.67	464,464.34		18,233.67
Station service	2,002,312.03	2,265,613.67		263,301.64
Station supplies	191,815.18	182,025.89	9,789.29	
Switching charges—balance	574,843.05	843,489.15		268,646.10
Car mileage and per diem—balance	559,389.28	92,575.12	651,964.40	
Hire of equipment—balance	38,105.04	233,530.11	195,425.07	
Loss and damage	668,301.44	509,997.89	158,303.55	
Injuries to persons	345,879.45	337,866.28	8,013.17	
Clearing wrecks	43,469.26	60,481.53		17,012.27
Advertising	123,271.81	122,318.68	953.13	
Outside agencies	583,265.29	451,243.56	132,021.73	
Stock yards and elevators	5,480.15	5,232.45	247.70	
Rents for tracks, yards and terminals	232,206.21	179,998.73	52,207.48	
Rents of buildings and other property	74,455.72	52,227.57	22,228.15	
Stationery and printing	199,208.75	225,282.10		26,073.35
Other expenses	19,593.97	19,470.05	123.92	
Totals	\$15,554,042.83	\$16,350,910.59		\$ 796,867.71

*Credits

*Annual Report**DETAIL OF EXPENSES—Concluded*

GENERAL EXPENSES				
	1908	1907	Increase	Decrease
Salaries of general officers	\$ 143,191.61	\$ 154,176.61		\$ 10,985.00
Salaries of clerks and attendants	481,950.93	467,364.71	\$ 14,586.22	
General office expenses and supplies	33,399.25	34,250.53		851.28
Insurance	2,658.23	2,752.84		94.61
Law expenses	82,142.86	83,858.62		1,715.76
Stationery and printing, (general offices)	48,489.08	48,649.42		160.34
Other expenses	34,953.23	29,591.67	5,361.56	
Totals	\$ 826,785.19	\$ 820,644.40	\$ 6,140.79	
Total Operating Expenses	\$26,712,011.57	\$29,544,347.27		\$ 2,832,335.70

*Percentage of Operating Expenses to Gross Earnings by Groups*

	1908	1907
Maintenance of way and structures	12.28	14.08
Maintenance of equipment	13.57	13.44
Conducting transportation	38.92	36.37
General expenses	2.07	1.83
Total	66.84	65.72

*The Lake Shore and Michigan Southern Railway Company**FIRST CHARGES**Interest on bonds*

Interest 3½ % per annum on Gold mortgage bonds	\$1,750,000.00	
Interest 4 % per annum on Gold bonds of 1903	2,000,000.00	
Interest 4 % per annum on Gold bonds of 1906	1,400,000.00	
Interest 5 % per annum on Kalamazoo & White Pigeon mortgage bonds	20,000.00	\$5,170,000.00
Interest 5 % per annum on Gold notes of 1907		750,000.00
Interest on equipment trust certificates		289,225.42
Dividend 12% on 5,335 shares L. S. & M. S. Ry. guaranteed stock		64,020.00
Rental of leased lines		1,100,381.87

Taxes

New York	\$ 96,710.16	
Pennsylvania	38,639.10	
Ohio	614,535.58	
Michigan	329,811.60	
Indiana	285,896.38	
Illinois	58,607.95	1,424,200.77
Interest on loans and bills payable		179,415.86
Total first charges		\$8,977,243.92

DIVIDENDS

Payable July 29th, 1908, 6 % on 494,665 shares of capital stock		\$2,967,990.00
Payable Jan. 29th, 1909, 6 % on 494,665 shares of capital stock		2,967,990.00
Total	<u>12%</u>	<u>\$5,935,980.00</u>

*Annual Report**CONDENSED GENERAL BALANCE SHEET, DECEMBER 31, 1908**Assets**Cost of road and equipment*

Cost of road	\$66,700,000.00	
Cost of equipment	<u>24,800,000.00</u>	\$ 91,500,000.00

Securities owned

Stocks of sundry companies	\$88,523,791.65	
Bonds of sundry companies	<u>1,194,655.24</u>	89,718,446.89

Other property

Real estate not used in operation of the road		431,498.13
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Advances for lessor and other companies

Jamestown & Franklin Railroad Company	\$1,024,101.59	
Lake Erie, Alliance & Wheeling Railroad Company	1,015,526.31	
Franklin & Clearfield Railroad Company	7,090,815.85	
Cleveland Short Line Railway Company	3,334,932.37	
Lake Erie & Pittsburg Railway Company	<u>2,437,157.47</u>	14,902,533.59

Fuel and supplies

3,512,136.69

Current assets

Cash charged Treasurer	\$14,418,964.71	
Remittances in transit	1,179,350.74	
Due from agents and conductors	376,916.68	
Loans and bills receivable:		
Cleveland, Cincinnati, Chicago & St Louis Ry	\$5,500,000.00	
Lake Erie & Western R R	952,915.88	
Indiana Harbor Belt R R	793,846.61	
Chicago, Indiana & Southern R R	505,000.00	
Terminal Railway of Buffalo	500,000.00	
Chicago, Kalamazoo & Saginaw Ry	147,832.33	
Other bills receivable	<u>823.73</u>	8,400,418.55
Traffic balances receivable	565,866.66	
Sundry accounts collectible	<u>7,455,026.02</u>	32,396,543.36

\$232,461,158.66

*The Lake Shore and Michigan Southern Railway Company***CONDENSED GENERAL BALANCE SHEET, DECEMBER 31, 1908***Liabilities**Capital stock*

Common	\$49,466,500.00	
Guaranteed	<u>533,500.00</u>	\$ 50,000,000.00

Funded debt

Gold mortgage bonds	\$50,000,000.00	
Gold bonds of 1903	50,000,000.00	
Gold bonds of 1906	<u>35,000,000.00</u>	135,000,000.00

Bonds of other roads assumed by this company

Kalamazoo & White Pigeon first mortgage bonds		400,000.00
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Three year five per cent. gold notes of 1907		15,000,000.00
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Current liabilities

Audited pay rolls	\$ 1,372,586.61	
Audited vouchers	1,737,781.40	
Traffic balances payable	31,673.49	
Interest and rentals accrued	1,499,689.45	
Dividends payable January 29, 1909	2,967,990.00	
Dividends and interest unclaimed	68,264.04	
Sundry accounts payable	<u>1,162,051.99</u>	8,840,036.98

Accounts with lessor companies

Mahoning Coal Railroad Company		1,705,253.49
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Profit and loss		21,515,868.19
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\$232,461,158.66

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STOCKS AND BONDS OWNED

Stocks

	Number of Shares	Total par value
Battle Creek & Sturgis Railway Co	825	\$ 82,500.00
Central Trunk Railway Co	238	11,900.00
Chicago, Indiana & Southern Railroad Co preferred	50,000	5,000,000.00
Chicago, Indiana & Southern Railroad Co	120,000	12,000,000.00
Chicago, Kalamazoo & Saginaw Railway Co preferred	1,800	180,000.00
Chicago, Kalamazoo & Saginaw Railway Co	1,800	180,000.00
Cleveland, Cincinnati, Chicago & St. Louis Railway Co	302,077	30,207,700.00
Cleveland Short Line Railway Co	2,500	250,000.00
Detroit & Chicago Railroad Co	10,000	1,000,000.00
Detroit, Monroe & Toledo Railroad Co	4,141	414,100.00
Detroit, Toledo & Milwaukee Railroad Co	7,500	750,000.00
Detroit Terminal Railroad Co	933	93,300.00
Elkhart & Western Railroad Co	4,598	229,900.00
Fairport & Phalanx Railroad Co	10	1,000.00
Franklin & Clearfield Railroad Co	5,550	555,000.00
Hocking Valley Railway Co	11,540	1,154,000.00
Indiana Harbor Belt Railroad Co	12,250	1,225,000.00
Jackson Coal Railroad Co	680	34,000.00
Jamestown & Franklin Railroad Co	11,733	586,650.00
Jefferson Coal Co	5,100	510,000.00
Kalamazoo & White Pigeon Railroad Co	2,309	230,900.00
Lake Erie, Alliance & Wheeling Railroad Co }	50,000	5,000,000.00
Lake Erie, Alliance & Wheeling Coal Co }		
Lake Erie & Pittsburg Railway Co	50	5,000.00
Lake Erie & Western Railroad Co preferred	59,300	5,930,000.00
Lake Erie & Western Railroad Co	59,400	5,940,000.00
Lake Shore & Michigan Southern Railway Co	39	3,900.00
Lansing Transit Railway Co	10	1,000.00
Mahoning Coal Railroad Co preferred	7,990	399,500.00
Mahoning Coal Railroad Co	17,318	865,900.00
Mahoning State Line Railroad Co	12	600.00
Merchants Despatch Transportation Co	23,335	2,333,500.00
New York, Chicago & St. Louis Railroad Co 1st preferred	25,030	2,503,000.00
New York, Chicago & St. Louis Railroad Co 2nd preferred	62,750	6,275,000.00
New York, Chicago & St. Louis Railroad Co	62,400	6,240,000.00
Northern Central Michigan Railroad Co	5,985	598,500.00
Pittsburgh & Lake Erie Railroad Co	100,002	5,000,100.00
Reading Company 1st preferred	121,300	6,065,000.00
Reading Company 2nd preferred	285,300	14,265,000.00
Reading Company	200,050	10,002,500.00
Sturgis, Goshen & St. Louis Railway Co	3,000	300,000.00
Swan Creek Railway Co	400	40,000.00
Taylor Street Warehouse Co	100	10,000.00
Terminal Railway of Buffalo	5,000	500,000.00
Toledo Terminal Railroad Co	4,800	480,000.00
Total par value stocks		\$127,454,450.00

Bonds

	Total amount held
Elkhart & Western Railroad Co First mortgage	200,000.00
Jamestown & Franklin Railroad Co First mortgage	298,000.00
Jamestown & Franklin Railroad Co Second mortgage	500,000.00
Terminal Railway of Buffalo First mortgage	500,000.00
Total par value bonds	\$ 1,498,000.00
Grand total par value stocks and bonds	\$128,952,450.00

The above securities are carried on the books of the company at a total value of \$89,718,446.89

The Lake Shore and Michigan Southern Railway Company

TRAFFIC STATISTICS

FREIGHT CARRIED AND TON MILEAGE

	1908	1907	Increase	Decrease
Tons of freight earning revenue	26,224,406	34,281,946		8,057,540
Tons of company freight	3,053,484	3,289,630		236,146
Total number of tons carried	29,277,890	37,571,576		8,293,686
Tons of revenue freight carried one mile	4,852,862,871	5,741,263,554		888,400,683
Tons of company freight carried one mile	227,072,584	262,790,359		35,717,775
Total number of tons carried one mile	5,079,935,455	6,004,053,913		924,118,458

DESCRIPTION OF FREIGHT MOVED

PRODUCTS OF AGRICULTURE	1908 Tons	1907 Tons	Increase Tons	Decrease Tons
Grain	1,726,872	1,898,861		171,989
Flour	392,993	449,463		56,470
Other mill products	312,365	387,118		74,753
Hay	286,042	230,427	55,615	
Tobacco	23,908	23,230	678	
Cotton	38,930	38,986		56
Fruits and vegetables	342,049	277,283	64,766	
Other articles	126,930	203,864		76,934
PRODUCTS OF ANIMALS				
Live stock	632,059	533,674	98,385	
Dressed meats	234,686	159,132	75,554	
Other packing house products	152,955	127,541	25,414	
Poultry, game and fish	53,114	58,092		4,978
Wool	14,844	12,615	2,229	
Hides and leather	50,585	39,081	11,504	
Dairy products	101,105	89,475	11,630	
Other articles	84,718	54,903	29,815	
PRODUCTS OF MINES				
Anthracite coal	1,426,354	1,170,065	256,289	
Bituminous coal	6,718,345	7,896,565		1,178,220
Coke	824,913	1,359,254		534,341
Ores	2,605,232	5,275,703		2,670,471
Stone, sand and other like articles	2,344,662	2,847,465		502,803
Other articles	171,389	298,997		127,608
PRODUCTS OF FOREST				
Lumber	693,613	830,672		137,059
Other articles	153,590	204,047		50,457
MANUFACTURES				
Petroleum and other oils	521,647	554,172		32,525
Sugar	98,318	114,910		16,592
Naval stores	5,704	6,053		349
Iron, pig and bloom	495,745	936,864		441,119
Iron and steel rails	63,552	286,093		222,546
Other castings and machinery	405,403	758,475		353,072
Bar and sheet metal	742,794	1,083,147		340,353
Cement, brick and lime	887,723	1,013,636		125,908
Agricultural implements	87,295	93,721		6,426
Wagons, carriages, tools, etc.	88,763	163,848		75,085
Wines, liquors and beers	126,120	130,219		4,099
Household goods and furniture	53,014	104,975		51,961
Other articles	2,734,717	3,934,774		1,200,057
MISCELLANEOUS				
Other commodities not previously mentioned	401,353	634,541		233,188
TOTAL	26,224,406	34,281,946		8,057,540

*Annual Report**TRAFFIC STATISTICS—Continued*

PASSENGERS CARRIED AND TICKET MILEAGE

	1908	1907	Increase	Decrease
Interline passengers	1,072,719	1,100,931		28,212
Local passengers	7,485,626	7,330,235	155,391	
Total number of passengers carried	8,558,345	8,431,166	127,179	
Passengers carried one mile	491,518,018	488,654,632	2,863,386	

TRAIN MILEAGE

Freight trains	8,208,002	9,108,434		900,432
Passenger trains, exclusive of straight mail and express trains	7,294,685	7,361,612		66,927
Mail and express trains exclusive	712,416	994,149		281,733
Mixed trains	66,528	175,296		108,768
Work trains	535,090	633,550		98,460
Total train mileage	16,816,721	18,273,041		1,456,320

ENGINE MILEAGE

Freight engines	9,366,484	11,353,531		1,987,047
Passenger engines	8,386,120	8,805,511		419,391
Switching engines	5,964,734	7,500,923		1,536,189
Work engines	1,006,731	1,357,801		351,070
Total engine mileage	24,724,069	29,017,766		4,293,697

CAR MILEAGE

Loaded freight cars	246,411,772	274,549,595		28,137,823
Empty freight cars (including caboose car mileage)	134,078,958	115,286,749	18,792,209	
Total freight car mileage	380,490,730	389,836,344		9,345,614
Passenger cars	52,877,061	55,037,716		2,160,655
Work cars	2,775,777	6,458,992		3,683,215
Total car mileage	436,143,568	451,333,052		15,189,484
Miles of road, including trackage, oper- ated in freight service	1,511.10	1,520.35		9.25
Miles of road, including trackage, oper- ated in passenger service	1,529.80	1,539.05		9.25

*The Lake Shore and Michigan Southern Railway Company***TRAFFIC STATISTICS—Concluded****FREIGHT RESULTS**

	1908	1907	Increase	Decrease
Earnings from transportation	\$25,454,972.80	\$30,596,387.38		\$5,141,414.58
Earnings from miscellaneous sources	480,500.44	515,094.74		34,594.30
Total freight earnings	\$25,935,473.24	\$31,111,482.12		\$5,176,008.88
Earnings per ton	cts. 97.1	cts. 89.2	cts. 07.9	
Earnings per ton per mile	cts. 0.525	cts. 0.533		cts. 0.008
Earnings per train mile	\$3.08	\$3.30		\$0.22
Earnings per mile of road operated in freight service—trackage included	\$17,163.31	\$20,463.37		\$3,300.06
Density of freight traffic (<i>i. e.</i> tons carried one mile per mile of road)	3,361,747	3,949,126		587,379
Average number of tons of revenue-earning freight carried per train mile	586.5	618.4		31.9
Average number of tons of all freight (including company's) carried per train mile	613.9	646.7		32.8
Average number of revenue tons per loaded car mile	19.7	20.9		1.2
Average number of all tons per loaded car mile	20.6	21.9		1.3
Average number of miles one ton carried, revenue freight	185.1	167.5	17.6	
Average number of miles one ton carried, all freight (including company's)	173.5	159.8	13.7	
Average number of loaded cars per train mile	29.8	29.6	0.2	
Average number of empty cars per train mile	16.2	12.4	3.8	
Average number of freight cars per train mile	46.0	42.0	4.0	

PASSENGER RESULTS

Earnings from passengers	\$9,407,654.29	\$9,613,351.70		\$ 205,697.41
Other passenger train earnings	170,016.10	151,199.50	\$ 18,816.60	
From miscellaneous sources	5,556.55	5,321.75	234.80	
Total passenger earnings	\$9,583,226.94	\$9,769,872.95		\$ 186,646.01
Earnings from mail and express	\$3,648,618.83	\$3,392,860.41	\$ 255,758.42	
Earnings per passenger	\$1.10	\$1.14		\$0.04
Earnings per passenger per mile	cts. 1.914	cts. 1.967		cts. 0.053
Earnings per train mile, excluding mail and express	\$1.30	\$1.30		
Earnings per train mile, including mail and express	\$1.64	\$1.54	\$0.10	
Earnings per mile of road operated in passenger service, trackage included; including mail and express	\$8,649.40	\$8,552.51	\$ 96.89	
Density of passenger traffic (<i>i. e.</i> passengers carried one mile per mile of road)	321,296	317,504	3,792	
Average number of passenger cars per train mile	6.55	6.45	.10	
Average number of passengers per train mile	66.77	64.83	1.94	
Average number of miles one passenger carried	57.43	57.96		.53

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TABLE OF TRACKS

	Miles	Second Track	Third Track	Fourth Track	Sidings	Total
MAIN LINE						
Buffalo to Toledo, via Norwalk	293.71	214.81	155.55	111.62	383.55	1,159.24
Toledo to Chicago, via Adrian	242.90	96.46	6.39	6.34	313.51	665.60
<i>Total main line</i>	<u>536.61</u>	<u>311.27</u>	<u>161.94</u>	<u>117.96</u>	<u>697.06</u>	<u>1,824.84</u>
BRANCHES						
Ashtabula to Ohio-Penna. State Line	30.72	4.71			9.43	44.86
Ashtabula to Ashtabula Harbor	2.33				45.84	48.17
Elyria Jct. to Millbury Jct. via Sandusky	73.08	73.08	3.72		78.64	228.52
Air Line Jct. to Elkhart, via Air Line	131.10	131.16	24.13	5.19	54.51	346.09
Air Line Jct. to Ohio-Mich. State Line	7.36	2.30			7.06	16.72
Monroe to Lenawee Jct.	29.46				5.83	35.29
Lenawee Jct. to Jackson	42.13				5.97	48.10
Carson to Mann—low grade line	18.10				8.43	26.53
<i>Total branches</i>	<u>334.28</u>	<u>211.25</u>	<u>27.85</u>	<u>5.19</u>	<u>215.71</u>	<u>794.28</u>
<i>Total main line and branches</i>	<u>870.89</u>	<u>522.52</u>	<u>189.79</u>	<u>123.15</u>	<u>912.77</u>	<u>2,619.12</u>
PROPRIETARY LINES (OWNED WHOLLY BY THIS COMPANY)						
Central Trunk Railway						
Ohio-Penna. State Line to Jamestown	5.27				.09	5.36
Detroit, Monroe & Toledo Railroad						
Ohio-Mich. State Line to D. & M. Jct.	51.43				30.16	81.59
Detroit and Chicago Railroad						
Grosvenor to Fayette	25.22				3.26	28.48
Northern Central Michigan Railroad						
Jonesville to North Lansing	61.34				9.85	71.19
Sturgis, Goshen & St. Louis Railway						
Goshen to Sturgis	28.94				1.75	30.69
Elkhart and Western Railroad						
Elkhart to Mishawaka	12.10				8.69	20.79
Kalamazoo and White Pigeon Railroad						
White Pigeon to Kalamazoo	36.54				10.35	46.89
Jackson Coal Railroad at Branch					4.10	4.10
<i>Total proprietary lines</i>	<u>220.84</u>				<u>68.25</u>	<u>289.09</u>
LEASED LINES						
Jamestown and Franklin Railroad						
Jamestown to Oil City	50.93				23.55	74.48
Mahoning Coal Railroad						
Andover to Youngstown	38.18	10.96			35.46	84.60
Branch to Keel Ridge					.92	.92
Sharon Branch	7.94				10.50	18.44
Mann to Brookfield—low grade line	24.49				11.07	35.56
Detroit, Toledo & Milwaukee Railroad						
Dundee to Homer	66.58				6.52	73.10
Detroit, Hillsdale & Southwestern R. R.						
Ypsilanti to Bankers	64.74				4.48	69.22
Fort Wayne and Jackson Railroad						
Jackson to Ft. Wayne	97.53				18.59	116.12
Kalamazoo, Allegan & Grand Rapids R. R.						
Kalamazoo to Grand Rapids	58.45				14.84	73.29
Battle Creek and Sturgis Railway						
Sturgis to Findlay	7.20				.63	7.83
<i>Total leased lines</i>	<u>416.04</u>	<u>10.96</u>			<u>126.56</u>	<u>553.56</u>
TRACKAGE RIGHTS						
Grand Trunk Railway						
D. & M. Jct. to Brush St., Detroit	3.33					3.33
<i>Total mileage operated</i>	<u>1,511.10</u>	<u>533.48</u>	<u>189.79</u>	<u>123.15</u>	<u>1,107.58</u>	<u>3,465.10</u>

TABLE OF TRACKS ACCORDING TO STATES

STATE	Miles	Second Track	Third Track	Fourth Track	Sidings	Total
New York	67.78	67.82	61.21	34.63	95.33	326.77
Pennsylvania	102.08	43.96	43.77	32.87	74.48	297.16
Ohio	463.58	261.44	69.34	50.02	541.50	1,385.88
Michigan	605.52				134.77	740.29
Indiana	258.24	152.55	14.93	5.11	190.38	621.21
Illinois	13.90	7.71	.54	.52	71.12	93.79
	<u>1,511.10</u>	<u>533.48</u>	<u>189.79</u>	<u>123.15</u>	<u>1,107.58</u>	<u>3,465.10</u>

The Lake Shore and Michigan Southern Railway Company

EQUIPMENT
EQUIPMENT—OWNED

LOCOMOTIVES

	1908	1907
Passenger service	152	152
Freight service	416	391
Switching service	225	265
Inspection service	3	
Total	<u>796</u>	<u>808</u>
Average miles run per locomotive in service	35,472	35,045

COST PER MILE RUN

	Cents	Cents
Repairs	5.48	5.21
Enginemen	8.19	8.36
Round-house labor	1.83	1.74
Fuel	12.13	12.40
Water supply	.88	.74
Lubricating oil and waste	.30	.29
Other supplies	.33	.37
Total cents	<u>29.14</u>	<u>29.11</u>
Miles run per ton of coal	14.14	14.19

FUEL CONSUMED

Coal—number of tons	1,748,545	2,044,887
Average price per ton	\$1.71	\$1.76
Total cost	\$2,998,747.27	\$3,598,089.82
Cost of fuel per engine mile (excluding work engine mileage)	cts. 12.26	cts. 12.55

CARS IN PASSENGER SERVICE

Passenger cars	228	234
Smoking cars	61	61
Combination cars	47	46
Emigrant cars	4	4
Baggage cars	173	165
Postal cars	60	60
Dining and buffet cars	27	27
Horse cars	6	6
Officers' and pay cars	11	11
Air brake instruction cars	1	1
Total	<u>618</u>	<u>615</u>
Total seating capacity of revenue passenger cars	21,360	21,917
Cost of repairs (excluding renewals) per passenger car mile	cts. 0.823	cts. 0.884

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EQUIPMENT—Continued
EQUIPMENT OWNED—Concluded

CARS IN FREIGHT SERVICE

	1908	1907
Box cars	14,890	15,517
Stock cars	305	349
Flat cars	3,977	3,904
Gondola cars, drop bottom	6,201	6,410
Gondola cars, drop bottom, steel	1	1
Gondola cars, hopper bottom, steel	5,499	5,499
Gondola cars, plain composite	1,000	1,000
Gondola cars, self clearing, steel	1,498	1,498
Coal and ore cars, side dump	142	165
Coke cars	1,036	1,046
Caboose cars	424	436
Total	<u>34,973</u>	<u>35,825</u>
Total capacity of freight cars (tons)	1,302,997	1,322,577
Average capacity of freight cars (tons)	37.71	37.37

CARS IN COMPANY'S SERVICE

Ballast cars, steel	80	80
Ballast cars, wood	583	584
Derrick cars	27	27
Steam shovels	12	12
Pile drivers	4	4
Snow plows	11	12
Tool and other work cars	770	754
Total	<u>1,487</u>	<u>1,473</u>
Total cars, all classes	<u>37,078</u>	<u>37,913</u>

FLOATING EQUIPMENT

Tugs	2	2
Dredges	1	1
Scows	4	4
Naphtha launches	1	1
Total	<u>8</u>	<u>8</u>

*The Lake Shore and Michigan Southern Railway Company**EQUIPMENT—Concluded*
LEASED UNDER EQUIPMENT TRUST

LOCOMOTIVES

	1908	1907
Passenger service	45	45
Freight service	45	45
Switching service	35	32
Total	<u>125</u>	<u>122</u>

CARS IN PASSENGER SERVICE

Passenger cars	<u>25</u>	<u>25</u>
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CARS IN FREIGHT SERVICE

Box cars	996	1,000
Gondola cars, hopper bottom, steel	2,000	1,668
Gondola cars, self clearing, steel	1,000	1,000
Total	<u>3,996</u>	<u>3,668</u>
Total capacity of freight cars (tons)	189,840	173,400
Average capacity of freight cars (tons)	47.50	47.27

CARS IN COMPANY'S SERVICE

Ballast cars, steel	<u>200</u>	<u>200</u>
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LEASED UNDER RENTAL AGREEMENT

CARS IN FREIGHT SERVICE

Box cars	1,292	1,107
Stock cars	300	291
Total	<u>1,592</u>	<u>1,398</u>

